

Why We Must

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PREVENT INFLATION

When prices rise sharply we call it **IN**flation. When they fall rapidly we call it **DE**flation. We know that **DE**flation hurts, but why does **IN**flation hurt?

THIS FOLDER

Tells Why

**—And What We Can
Do About It**





WHAT WE AS A NATION CAN DO

Willingly accept heavier and more widespread taxes. This will reduce the demand for goods.

Buy War Bonds and stamps. Our spendable money is thus transferred to the Government. This helps to close the "inflationary gap."

Pay private debts. This too reduces the amount of money we will spend for goods and enables the lender to buy more bonds.

To keep rising costs from forcing prices upward, it will be necessary to—

Stabilize wages. Labor is part of the cost of every product.

Prevent excessive advances in prices of farm products. The prices of these products greatly influence food costs, a major item in the cost of living. As prices go above the levels prescribed in the Emergency Price Control Act of 1942, ceilings are fixed.

Fix maximum prices. This holds down the cost of living and fighting and reduces pressure for higher wages.

Ration scarce articles. When there is not an ample supply of any commodity, we will divide it among all (as we are doing with sugar) or divide it among those who need it most (as we are doing with rubber tires).



What Our Family Will Do

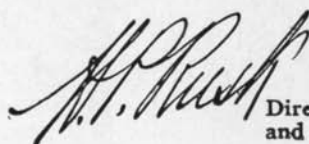
Check Here 

- Pay cash instead of buying on the installment plan
- Raise more of our own food and feed.
- Cooperate cheerfully in rationing of scarce articles
- Repair our farm and home equipment and remodel our clothing.
- Invest regularly in War Bonds and stamps
- Pay our income and property taxes promptly
- Reduce our debts.
- Spend less for things we do not need now, such as:

To conserve and increase our country's resources:

- We will not hoard things that are scarce
- We will save gas, rubber, and metals by driving our car only _____ miles
a year
- We will collect paper, scrap metals, and rubber
- We are raising more of these needed farm products:

It is my hope that every farm family receiving a copy of this folder will check each item thoughtfully and post the sheet where it will be a constant reminder to every member of the household.



Director, Extension Service in Agriculture
and Home Economics, University of Illinois

INFLATION HURTS BECAUSE IT MEANS . . .

Higher Living Costs

We all pay more for what we buy. People with fixed incomes can't buy as much.

Higher War Costs

Our Government has to pay more for war materials and so has to borrow more.

Higher Taxes

It costs more to run the Government. These higher costs stay with us after prices go down.

Higher Marketing Costs

Gap between farmers and consumers is widened. When prices go down, this gap tends to stay wide.

Higher Operating Costs

These farm costs will decline after the war but not so fast as farm prices.

Higher Land Values, But

These are only temporary. Many who buy farms will lose them when values decline.

A Long Period of Low Farm Prices and Low Incomes after the comparatively short period of high prices and high incomes. The hangover is painful—the brief period of false prosperity isn't worth it.

Remember what happened in World War I? Farm prices skyrocketed from 1914 to 1919, then took a long quick slide downward in 1920-1922. Depression closed in on farmers, engulfing the whole country in 1930-1933—Do we want that to happen all over again? No!

Then let's all do the thing that will help to prevent it and make it easier to win the war and the peace

Cooperative Extension Work in Agriculture and Home Economics: University of Illinois, College of Agriculture, and the United States Department of Agriculture cooperating. H. P. Rusk, Director. Acts approved by Congress May 8 and June 30, 1914.

WHERE THE DANGER LIES

Prices have always gone up during war periods. Since September, 1939, prices of basic raw materials have advanced 66% and retail prices of foods, clothing, and house furnishings have risen 25%. Prices will rise even faster in 1942-43 if they are not controlled by the Government with our cooperation.

The reason why prices have gone up during the last two years is that people have had more money to spend, and they will have even more this year. In 1941 the people of this country had 74 billion dollars with which to buy goods after taking out personal taxes and savings. In 1942 they will have 86 billion dollars to spend but there will be only 69 billion dollars' worth of goods to buy. It is in this gap that the danger lies—if people try to buy things with this extra 17 billion dollars, they will force prices up still further, as bidders do at an auction.

More money must go into taxes and savings to use up this 17 billion dollars and close the "inflationary gap."

PRICES RECEIVED BY FARMERS—WORLD WARS I AND II

